

September 19, 2018

Trilateral Grain and Market Weather Update

Market Summary Highlights

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Market Headlines

Soybeans: Edge up but remain near 10-year low

Corn: Slightly higher in a quiet start to the day after falling to a new contract low on Tuesday

Wheat: Global wheat prices remain in lock-step Wednesday morning, with European, Australian, and U.S. markets all higher

Morning Trading

- Corn futures Higher
- Soybeans Higher
- CBOT Wheat Higher
- Dow Jones: Lower
- U.S. Dollar Index: Higher
- Gold: Higher
- Crude Oil: Lower

USDA & Government Reports

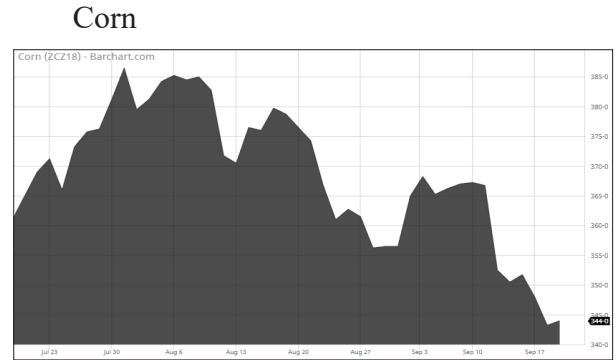
- Milk Production
- Broiler Hatchery
- Housing Market Index

Overnight Trade			
Commodity	Month	Last	Change
Corn	Dec	3.4425	1.25
Soybeans	Nov	8.1925	5.00
Soybean Meal	Dec	307.90	4.30
Soybean Oil	Dec	27.3000	(0.11)
Chicago Wheat	Dec	5.1600	6.25
KC Wheat	Dec	5.2300	7.75
MPLS Wheat	Dec	5.8600	6.25
Sep			
Commodity	Month	Last	Change
Crude Oil	Oct	70.22	0.37
Natural Gas	Oct	2.902	0.005
Gold	Dec	1208.50	5.60
S&P Futures	Sep	2908.50	1.00
Dollar Index	Cash	94.63	(0.014)

Corn

Source: DTN

- Corn prices may be a penny or two higher Wednesday morning, in a quiet start to the day after falling to a new contract low on Tuesday, but not enough to change the unrelenting bearish trend seen on the chart.
- December corn futures have lost 22 1/2 cents in the week since USDA released its 14.8-billion-bushel crop projection. And prices may continue to shuffle lower during this harvest season, a time that is typically bearish to corn prices, and may be especially so in 2018.
- 14.8 billion bushels of new corn is a lot to move and facilities will be strained this fall, but world demand is up this year and production was down in South America, leaving the U.S. in a good position to export more corn in early 2019.
- Farmers may be more than usually inclined to sell corn off the combine to cover cash needs, given that selling cash soybeans at today's prices would be profoundly unappealing.
- Thunderstorms are forecast for the Midwest the next few days, which may provide a little harvest delay and stall some of the elevators' futures selling activity. Rain is falling in South Dakota and is expected to move to northern Iowa and southern Minnesota later in the day. The rest of the Corn Belt, however, will be mostly dry, allowing more opportunity for harvest the next five days.
- For now, December corn prices remain under harvest pressure, holding a sideways to lower trend.

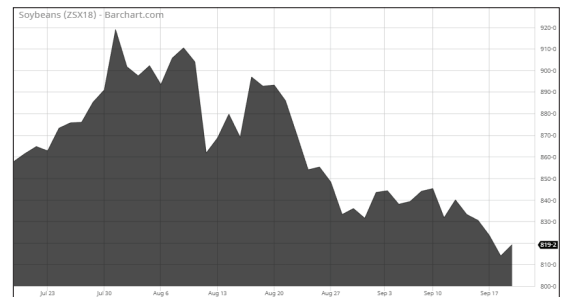


Soy Complex

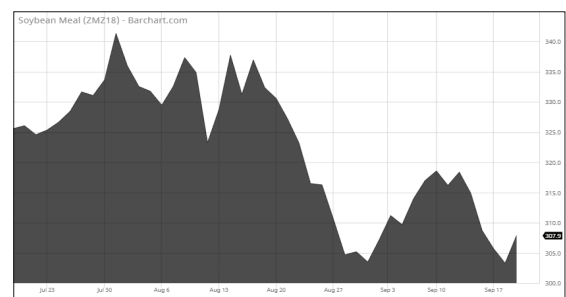
Source: DTN

- Chicago soybean futures edged higher on Wednesday but remained in striking distance of the prior session's 10-year low with a record U.S. crop and crop-friendly weather in Brazil helping to keep the market on the defensive.
- Cash soybeans are at their lowest prices in 11 years looks more like a long-term buying opportunity. What we don't see is any reason to believe the worst is over just yet for soybeans although the seasonal low could come anytime the next couple months.
- Sudden drops in Malaysian palm oil futures Wednesday may weigh on arbitrageurs' outlook for soybean oil prices Wednesday, and U.S. soybean oil futures are down 23 cents. Canola futures, too, are down again Wednesday after marking fresh yearly lows Tuesday.
- Therefore soybean futures themselves, which started the morning with small gains, may experience spillover pressure as the trading session wears on.
- The North Carolina Department of Agriculture has estimated Hurricane Florence's flooding caused the deaths of 5,500 hogs (0.06% of the state's 9-million-head herd). A similarly small percentage of the state's poultry herd was lost. Soybean basis bids, already historically weak, have grown weaker in recent days. On average, U.S. country elevators are bidding \$1.02 under November futures for cash soybeans, which means the flat price received by a farmer would be anywhere from \$6.30 (in northwestern portions of the Corn Belt) to \$7.60 per bushel (closer to Midwestern processors and the Mississippi River).
- Merchandisers throughout the industry are anticipating large inventories of soybeans that will need to be stored for many months. The November-to-March 2019 soybean futures spread was growing even wider Wednesday morning, offering carry as much as 28 cents per bushel.
- Soybean demand is one area where the market could turn out to be better than expected, and USDA's next weekly report will be out Thursday morning. For now, November soybeans remain under bearish pressure with little happening to give potential buyers hope for higher prices.

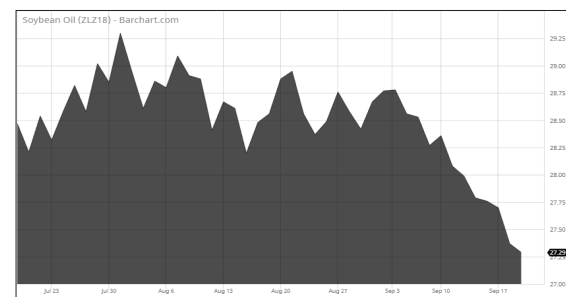
Soybeans



Soybean Meal



Soybean Oil

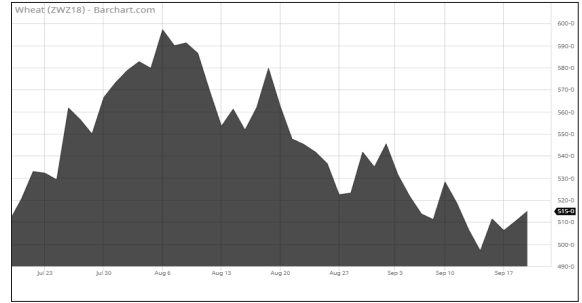


Wheat

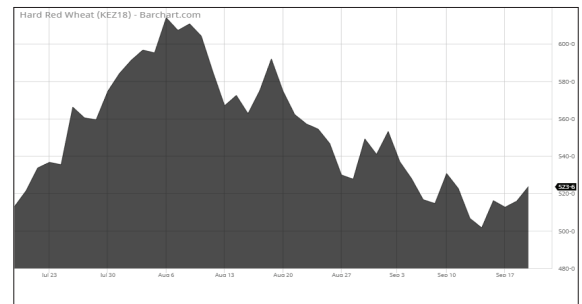
Source: DTN

- Global wheat prices remain in lock-step Wednesday morning, with European, Australian, and U.S. markets for milling-quality wheat all moving higher to roughly the same degree.
- Nearby Kansas City wheat futures are up 7 1/2 cents per bushel.
- The latest damage to global wheat supplies came in the form of weekend frost in Western Australia, which is still being assessed, but it just joins a long series of troubles seen in 2018, including drought in Europe, Russia and the Canadian Prairies. The reductions aren't drastic, but they do show the top seven exporters with their lowest ending stocks-to-use ratios in six years. So as export business comes to the market, from Japan, Turkey, Egypt, etc., U.S. wheat supplies are facing a good chance.
- USDA expects that to bring a 14% increase to U.S. exports in 2018-19, but so far, that remains to be seen as U.S. exports are down 31% from a year ago, ahead of USDA's next report on Thursday.
- So far, December contracts of wheat remain supported in a sideways trading range after encountering resistance at last year's highs.
- Winter wheat planting should be making good progress in the U.S. and may dodge some rain the next five days, but generally, that's a good problem to have.
- Outside markets on Wednesday shouldn't hinder wheat's higher movement, with the U.S. dollar index near unchanged and the stock market toying with fresh record highs.

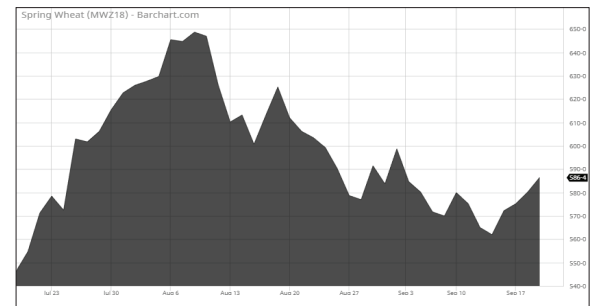
Chicago SRW



Kansas City HRW



Minneapolis HRS



Related Market News

RJO

- Market factors to consider thru end of Sept:
 - Market reaction to news is more important than the news itself. Watch for any sign that row crop markets are unable to post new lows on higher than expected new crop yield reports
 - Row crop upside limited until downward trend in domestic CN/BN basis stabilizes. Already low soy processor bids eroding amid imminent acceleration in harvest.
 - Looming Sept 28th quarterly wheat stocks report is unlikely to be positive (reduced wheat feeding & wheat in transit amid lag in export shipments suggest higher than expected 9/1/18 US wheat stocks)
 - Stop & go Midwest row crop harvest into early Oct of less importance to soy market amid advanced crop development (spurred on by above normal Sept temps), absence of PRC as major buyer and above average amount of new crop beans sold ahead by farmer.
 - Combative trade rhetoric out of Washington & Beijing does not suggest substantive progress during Sept 27 & 28 trade talks in DC (which may not occur).
 - US soy export pace (after only 3 weeks) trailing LY by 0.4 mmt. Soy market will have difficulty basing if lag in export pace continues to widen
- Seasonal lows in CN/BN typically do not occur until late Sept/early Oct

REUTERS

- At a recent conference in Kansas City, Mu Yan Kui, an executive from one of China's biggest soybean crushers outlined plans to slash China dependency on US soybeans. Foremost was cutting the soy ration for hogs from the typical 20 percent to 12 percent would equate to a demand reduction of up to 27 million tonnes of soybeans per year – an amount equal to 82 percent of Chinese soy imports from the United States last year. Feed rations will replace soy with more cornmeal and alternative protein sources. A Purdue University economist called Mu's remarks a "political speech." USDA spokesman Tim Murtaugh downplayed the threat of China displacing U.S. soybean supplies. The Trump administration, he said, is analyzing import demand and ultimately aims to win back access to the China market under better terms.
- Wheat production in Canada grew by 3.5 percent in 2018 compared to 2017, according to a Statistics Canada survey based in part on satellite and agroclimate data. The survey, released on Wednesday, also said that barley production grew by 4.3 percent while oat production fell by 9.4 percent. Canola production was also forecast to edge down by 1.5

Continued next page

Related Market News cont.

percent.

- Global banks and trading firms are launching the first blockchain-based platform for financing the trading of commodities from oil to wheat, they said in a joint statement on Wednesday. A high-tech ledger, blockchain uses a shared database that updates in real-time and can process and settle transactions in minutes without the need for third-party verification. Instead of sharing a mountain of paperwork between a long list of parties, a trader will instead be able to use a digital letter of credit, speeding up transactions considerably.
- Brazilian farmers sped up soy and corn plantings this week for the country's next grain crop, under favorable weather conditions and a positive market outlook.
- Raw sugar futures rose on Wednesday, as short-selling by speculators dried up and light corrective buying emerged, while arabica coffee steadied a day after hitting its lowest since 2005.
- The dollar neared a seven-week low against a basket of other currencies on Wednesday, while commodity currencies advanced on relief that the latest round of tariffs announced by China and the United States were not as harsh as the market expected.
- Confidence among Asian companies slumped to the weakest in almost three years in the third quarter as businesses feared blowback from a worsening global trade war, a Thomson Reuters/INSEAD survey showed.
- U.S. homebuilding increased more than expected in August, a positive sign for the housing market which has underperformed the broader economy amid rising interest rates for home loans.
- Global equities rallied for a second straight day on Wednesday while safe-haven assets such as U.S. bonds and the Japanese yen slipped to multi-week lows as investors bet the escalating U.S.-China trade spat would inflict less damage than feared.
- China will not stoop to competitive devaluation of its currency, Premier Li Keqiang stressed, hours after China hit back, with a softer punch than the one landed by the United States, in an escalating tariff war between the world's largest economies.

Weather Update

DTN Ag Weather Brief 9/19/2018

Moderate to heavy showers and thunderstorms in the western Midwest through South Dakota, southern Minnesota and northernmost areas of Iowa today and again Thursday.

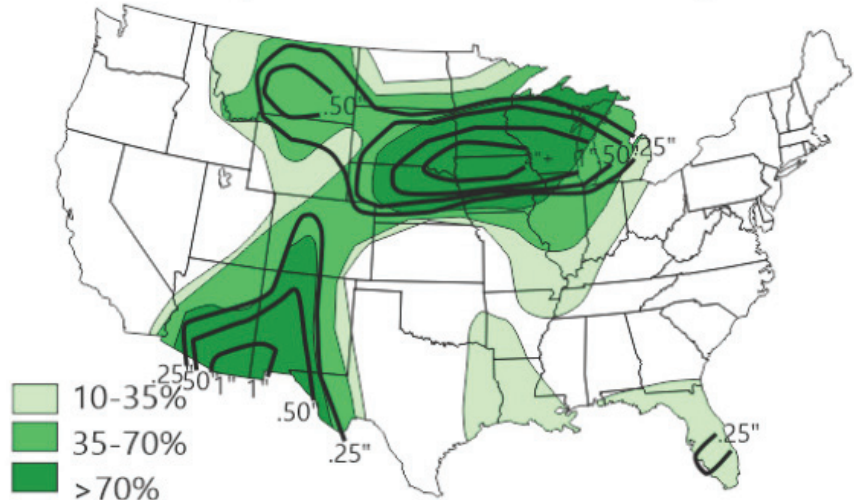
Showers and a few thunderstorms may also occur in eastern Nebraska and western Iowa mainly during Thursday. A few light showers southeast areas Thursday. Mainly dry Friday.

The eastern Midwest to be mainly dry or with only a few light showers today and Thursday, except in central and north Wisconsin and northern Michigan where scattered thunderstorms may occur. A few light showers with isolated heavier during Friday.

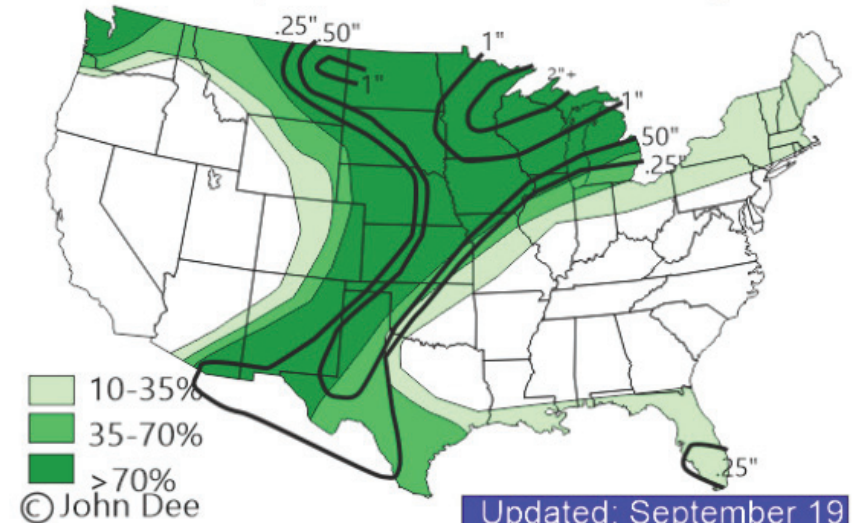
The Southern Plains will be mostly dry today. Light to moderate show-

ers and thundershowers favoring northeast, central and southwest areas later Thursday or during Thursday night. Moderate to locally heavy showers and thunderstorms mainly occurring in Oklahoma and north-central Texas during Friday.

0-24 Hour Precipitation Amounts and Coverage Forecast



24-48 Hour Precipitation Amounts and Coverage Forecast



Updated: September 19

Feedstuffs

Links to weekly USDA feedstuffs reports:

- [National Weekly Feedstuffs Prices](#)
- [Corn Belt Weekly Feedstuffs](#)

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